

Message Text

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PAGE 01 LIMA 00155 070035Z
ACTION ARA-14

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C O N F I D E N T I A L LIMA 0155

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E.O. 11652: GDS
TAGS: EFIN PE
SUBJECT: EXIMBANK IN PERU AND THE FINANCIAL CRISIS

REF: (A) STATE 002407; (B) LIMA 0048

1. THE MESSAGE FROM EXIM TO THE BANCO CONTINENTAL AS REPORTED REF A IS MOST DISTURBING. PERHAPS EXIM HAS NO CHOICE BUT TO PUT" POLICY WITH RESPECT TO PERU" UNDER "INTENSIVE REVIEW" AND TO HOLD ALL CREDIT REQUESTS "IN ABEYANCE". BUT WE SHOULD BE CLEAR AS TO THE POLICY CONSEQUENCES.

2. OUR CONTACTS IN THE BUSINESS COMMUNITY TELL US THAT SEVERAL OF THE SMALLER U.S. COMMERICAL BANKS ARE ALREADY MOVING TO REDUCE THEIR SHORT-TERM EXPOSURE HERE. THE PERUVIAN BANKS ARE FINDING IT INCREASINGLY DIFFICULT TO RENEW U.S. LINES OF CREDIT. REF A WOULD INDICATE THAT EXIM IS NOW JOINING THAT MOVEMENT BY REFUSING, OR AT LEAST DELAYING, REINSTATEMENT OF CFF COMMITMENTS. (EXIM ALSO RECENTLY REJECTED A GUARANTEE APPLICATION ON THE FINANCING OF FIVE WABCO DUMP TRUCKS THAT THE GOP MINING ENTERPRISE HIERROPERU WANTED TO BUY -- AND THIS AT A TIME WHEN MINERALS EX-
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PORTS ARE A CRITICAL IN PERU'S EFFORTS TO RECOVER FINANCIALLY.)

3. PRESIDENT MORALES BERMUDEZ HAS JUST SUGGESTED PUBLICLY THAT PERU IS BEING TREATED UNFAIRLY BY THE U.S. BANKS AND THE IMF (REF B). HE LEFT THE USG OUT OF THAT EQUATION BUT WE KNOW THAT THE GOP IS DIS-

APPOINTED AND DISGRUNTLED WITH THE USG'S PURPORTED LACK OF RESPONSIVENESS IN THIS TIME OF CRISIS. HOWEVER NARROW AND TECHNICAL THE GROUNDS WERE ON WHICH IT WAS TAKEN, EXIM'S DECISION WILL BE SEEN HERE IN THAT POLITICAL CONTEXT.

4. OF GREATER SIGNIFICANCE IS THE POSSIBLE EFFECT ON PERU'S ACCESS TO COMMERCIAL CREDIT ABROAD. IT IS UNLIKELY TO SAY THE LEAST THAT THE GOP'S PROGRAM OF ECONOMIC RECOVERY CAN SUCCEED IF THE U.S. BANKS GENERALLY JOIN IN TO CUT OFF THAT CREDIT. WE RECOMMEND THAT THE DEPARTMENT DO WHAT CAN BE DONE TO SPEED UP EXIM'S "INTENSIVE REVIEW" AND TO CLARIFY THAT INSTITUTION'S ATTITUDE TOWARD PERU.
SHLAUDEMANN

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